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Farm Lumber Supply to Continue Tight

BECAUSE there is little difference in the production of lumber whether for soldiers' barracks or vine-covered cottages, whether for ammunition boxes or farm buildings, it was expected that the reconversion problem in the lumber industry would be slight compared to that of producing automobiles or farm machinery. Yet more than a year after VJ-day the lumber shortage is causing as much concern, if not more, than the shortages of automobiles and farm machinery—and farmers are asking "when do we get lumber?"

The farmer is largely dependent on retail distribution for his lumber, except such lumber as is custom-sawn from farm timber, which may be quite an item in the South but is a relatively unimportant item in other regions. Thus the lumber moving through retail yards is a good measure of the supply available to farmers. Of course, the farmer is only one of the customers for retail lumber. Many contractors building houses and doing general building repair draw on retail lumber stocks. And even though large contractors buy direct from mills

and from wholesalers, they also draw on retail lumber yards.

One way of measuring the lumber moving through retail yards and thus the amount available to farmers is to compare the stocks on hand at given periods. On December 31, 1940, retail lumber stocks were about 6 billion board feet—about normal volume. Because of the heavy war-time drain, stocks dropped to 1.4 billion board feet on September 30, 1945, and continued to decline for the next 6 months as the March 31, 1946, stocks were only about 875 million board feet. But by June 30 of this year the stocks had climbed to about a billion board feet and may be slightly more by the end of this September, still far below the level at the end of 1940. On the basis of the June stocks, this meant that statistically each retail yard averaged only about 30,000 board feet in stock; actually it meant that many yards had practically no lumber at all. And this condition is apt to continue for some time.

Another way of measuring retail yard business is by receipts which have run around 2 billion board feet

per quarter for the first two quarters of 1946. On this basis the prospects are that at least 8 billion board feet of lumber will pass through retail yards to consumers this year. Such an amount is less than half the volume which passed through retail yards in 1940. Thus small consumers such as farmers can expect to get half as much lumber through retail yards in 1946 as they did in 1940.

Although lumber production in 1946 will be the same or possibly a little more than in 1940, a large proportion of the output is moving directly from mill to consumer, mostly to large contractors who are building much of the new housing. The effect on the farmer is the same as if production were considerably less than it is.

From a low of 12 billion board feet in 1932, lumber production climbed to a peak of 36½ billion feet in 1941 then declined through the war years, largely because of manpower and equipment shortages, to about 28 billion feet in 1945. Present prospects point to a 1946 production of around 33 billion board feet, a big gain over last year's output, but not enough to catch up with the tremendous demand. This, together with the further difficulty that distribution is not flowing through normal channels, means that farmers will not get all the lumber they want.

Of the 31 billion board feet consumed in 1940, about 16 billion moved through retail yards, and farmers used about 5½ billion feet or roughly a third of the amount moving through retail yards. Out of a prospective 1946 consumption about the same or a little more than in 1940, only 8 to 9 billion board feet will move through retail yards. If farmers get a third of this they will

get only about 3 billion feet, compared with 5½ billion in 1940. And some feel that farmers would use 4 billion feet from retail yards in 1946 and 6 to 7 billion in 1947. These are only estimates but they illustrate why the supply is so short of the incessant demand.

Reasons for the incessant demand are manifold. Probably the most important is the acute need for new housing. A decade or more of insufficient new home construction followed by four war years of virtually none for civilian use has created the worst housing shortage the country has ever known. The speedy return of thousands upon thousands of veterans with no places to live has made the problem all the more acute. The present building goal calls for the construction of 2,700,000 new homes by the end of 1947 and even this goal will not reach all families now without homes. This program takes precedence over all other construction.

Added to this are the requirements for new farm construction, also restricted during the war, along with the deferred maintenance accumulated during the depression years.

Today agriculture faces the future with the best balance sheet it has ever had. Farm assets are over 90 billion dollars compared to 54 billion before the war, and debts are below prewar levels. Farmers have 16 billion dollars in liquid reserves, while net income has been holding around 11 billion dollars annually since 1943 compared with a 1935-39 average of 4 billion. Thus all signs point to a farm building boom exceeding that of the 1920's—to get under way as soon as labor and materials, chiefly lumber, permit.

But that is still many months away. Even though lumber production will continue at record and

near-record levels, it cannot keep pace with demand during the home construction boom. And the veterans' housing program must come first. Until lumber stocks can be built up in retail yards farmers will be unable to embark on a large scale building boom. And stocks will not be built up while lumber continues to move into consumption as fast as received. However, compared to

the war years, farmers will get an increasing amount of lumber and they will have more choice, but the supply will be far less than all farm requirements, at least till well into 1947. This will mean some use of other materials in place of lumber—and further deferment of much farm construction.

FRANK J. HALLAUER
Forest Service

How Farm Machinery Can Earn Its Way

MOST farmers are thinking about the possibility of buying one or more pieces of new machinery. To some a new machine will cut out much of the back-breaking work they have done in the last 4 or 5 years, so the new machine will be worthwhile even though it may not fully earn its way. To others, however, a new machine will be purchased on the basis of a financial investment—whether it will earn its way.

Every farmer who has thought about the question knows that if the new machine is to be a sound financial investment the reduced farm operating costs or increased farm income, must be sufficient to cover the annual cost of the new machine.

How is the annual capital cost of a new machine determined? It is the amount that pays off the price of the machine over its estimated lifetime and pays interest on the money invested. If the farmer borrows the money to purchase the machine he will have to pay interest to the lender. If he has savings enough

to buy the machine, he should figure on paying interest to himself, for if he did not buy the machine he could invest his money elsewhere and draw interest.

Suppose, for example, a farmer is considering the purchase of a new two-row cornpicker which costs \$1,000 and intends to borrow enough to pay for it. Assuming the life of the machine is 10 years, the farmer would have to pay back \$100 a year plus interest, say at 5 percent, which would average \$29.50 a year. Thus, the annual cost would be \$129.50, the amount the machine would have to earn each year to pay its way. How such a loan would be amortized is shown in table 1. If the farmer used his own savings the annual payment of \$129.50 would return his own investment in 10 years and give him 5 percent interest. If the farmer could not invest his money anywhere else at 5 percent, he might feel justified in using a lower interest rate.

In this example the annual cost is 13 percent of the original price of the machine plus interest at 5 per-

Table 1.—Amortization of a \$1,000 Loan at 5 Percent Interest, in 10 Years

Payment No.	Annual payment	Interest	Applied on principal	Unpaid principal
	Dollars	Dollars	Dollars	Dollars
1.....	129.50	50.00	79.50	920.50
2.....	129.50	46.02	83.48	837.02
3.....	129.50	41.85	87.65	749.37
4.....	129.50	37.46	92.04	657.33
5.....	129.50	32.86	96.64	560.69
6.....	129.50	28.03	101.47	459.22
7.....	129.50	22.96	106.54	352.68
8.....	129.50	17.63	111.87	240.81
9.....	129.50	12.03	117.47	123.34
10.....	129.50	6.16	123.34	-----

cent. And this annual cost percentage holds good for the price of any machine with interest at 5 percent and the machine paid for in 10 years. Naturally, if the machine will last longer than 10 years, the annual cost percentage will be different. Further, if the interest rate which the farmer feels justified in using is different than 5 percent, the annual cost percentage of the purchase price will also vary. Table 2 shows several annual cost percentages of the purchase price which will amortize an investment over different periods at various interest rates.

Here is another example to illustrate how to use table 2. Suppose the farmer can borrow money at 4 percent for 10 years, instead of at 5 percent. He would use the annual cost percentage of 12.3 percent (found in column 3, line 6). Then he would multiply \$1,000, the purchase price, by 0.123 and arrive at \$123 instead of \$129.50 as the annual cost, the minimum amount the machine should earn each year.

In figuring how the corn picker is going to earn its way the following assumptions illustrate possible ways.

If the farmer has 3,000 bushels of corn to pick the annual cost of the corn picker at \$129.50 will be 4.3 cents per bushel. If other harvesting costs—hauling, tractor expenses, labor, etc.—are figured at about 6.3 cents a bushel, the total

cost would be about 10 cents per bushel. This cost can then be compared to the cost of hiring the job done by hand or by hiring a neighbor to do it with his corn picker.

In the above example it was assumed that the farmer had 3,000 bushels of corn to pick. Suppose he had only 1,500 bushels in the field. Under these conditions the annual cost of a new picker would amount to 9 cents per bushel which together with 6 cents for other costs would make a total of 15 cents. If the farmer could hire the job done for 12 cents a bushel it would not appear to be desirable to buy unless he picks more than his own field. Even if he had 3,000 bushels to pick the time saved may make it possible to lower even more the cost of the machine per bushel. Taking on additional work when it will pay is important, for the farmer will not know whether the cost relationship he has figured on will be maintained over a 10-year period. Should the wages for labor decline considerably it may prove cheaper in the future to hire the work done by hand.

If the farmer buys the picker he will have the annual cost regardless of what prices do. If the price of corn stays at the present level or increases, he has fixed much of his costs and will get a larger net income. However, if the price of corn goes down his costs are similarly

Table 2.—Annual Cost Percentage of the Purchase Price at Various Interest Rates and Term of Years

Years	Annual interest rates						
	3 percent	4 percent	4½ percent	5 percent	5½ percent	6 percent	7 percent
	Annual cost percentages						
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
5.....	21.8	22.5	22.8	23.1	23.4	23.7	24.4
6.....	18.5	19.1	19.4	19.7	20.0	20.3	21.0
7.....	16.1	16.7	17.0	17.3	17.6	17.9	18.6
8.....	14.2	14.9	15.2	15.5	15.8	16.1	16.7
9.....	12.8	13.4	13.8	14.1	14.4	14.7	15.3
10.....	11.7	12.3	12.6	13.0	13.3	13.6	14.2
11.....	10.8	11.4	11.7	12.0	12.4	12.7	13.3
12.....	10.0	10.7	11.0	11.3	11.6	11.9	12.6
13.....	9.4	10.0	10.3	10.6	11.0	11.3	12.0
14.....	8.9	9.5	9.8	10.1	10.4	10.8	11.4
15.....	8.4	9.0	9.3	9.6	10.0	10.3	11.0
16.....	8.0	8.6	8.9	9.2	9.6	9.9	10.6
17.....	7.6	8.2	8.5	8.9	9.2	9.5	10.2
18.....	7.3	7.9	8.2	8.6	8.9	9.2	9.9
19.....	7.0	7.6	7.9	8.3	8.6	9.0	9.7
20.....	6.7	7.4	7.7	8.0	8.4	8.7	9.4

fixed so his net income will decrease even faster than the price. This is the factor that puts many farmers into financial distress.

Suppose, for example, that a farmer is getting \$1.20 for a bushel of corn. His fixed cost per bushel is 20 cents and other variable costs are 70 cents per bushel. His total costs would be 90 cents and the net return 30 cents per bushel.

Now assume that the price of corn goes down to 60 cents per bushel. Furthermore, assume that he can reduce the variable costs also by half, from 70 to 35 cents. The fixed cost still remains at 20 cents, making the total cost 55 cents. The net return would then be only 5 cents per bushel. This net return is only one-sixth of what it was when the corn sold for \$1.20 per bushel.

Of course, if the farmer had saved enough money to buy the corn picker he might forego interest on his investment during such a period and his fixed costs would not be as much of a burden as the example indicates. On the other hand, if he had borrowed the funds he would have to meet his payments or stand the danger of foreclosure and repossession of the machine.

While it is not probable that the price of corn will be so low as 60 cents per bushel in the immediate future, particularly for those who may market their corn through livestock or dairy products, it nevertheless is a contingency which should be recognized. Farmers during a period of rising prices such as in the last 4 or 5 years were in a particularly favorable price situation, for the prices they received went up

faster and to a higher level than the prices they paid. This was similarly true during World War I. However, after World War I prices received fell rapidly. Prices paid also fell but they didn't go down as fast or as far. If such a trend follows World War II, many heavy purchasers of new farm equipment may find their costs hard to meet before these purchases are paid for.

There are, of course, risks to purchasing new machinery when the price of machinery is relatively high and when prices received by farmers may not stay up over the life of the machine. One way of reducing these risks is to postpone purchases until the unusual demand and low supply have come more in balance. When this time comes the dollars farmers have saved will buy more and will have earned them a good return in the meantime. Another way of reducing the risk if the farmer feels prices will be maintained for several years is to treat extra earnings from the new machine during these years as a reserve against which to draw in periods of adversity.

Regardless of the risks, now is the time farmers need machinery, and now is the time many farmers have savings with which to buy. Large numbers of farmers will make these purchases even though they sacrifice an interest return on their investment and the purchase is not otherwise wholly justified financially. For the purchaser who must borrow all or a large proportion of the cost, it is well to put in a word of caution, "Look before you leap."

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Sugar Supply Prospects

SUGAR supplies available to consumers in the United States in 1946 are smaller than for any other year since the beginning of World War II. Early in 1946 there was reasonable hope for some increase in the supply of sugar in the latter part of the year. However, the sugarcane crops in both Cuba and Puerto Rico proved to be smaller than early estimates indicated. Also, the war so devastated some of the important producing areas abroad that a number of countries which were normally self-sufficient or im-

portant exporters of sugar must now import all or a part of their supplies.

The present shortage of sugar is worldwide and a direct result of reduced production caused by war conditions. The world production of sugar during the prewar years 1935-39 averaged 34.5 million tons (raw value). Production for the 1945-46 crop year amounted to only 27.2 million tons. This is the smallest since 1923-24. The largest decline in production has been in Europe and Asia. Total production in Europe declined nearly 4.7 million tons, or about 45

percent, from 1934-39 to 1945. Normally Europe produces the major part of the sugar which its people consume, but large imports are needed this year. Increased exports from the Caribbean area will be sufficient to make up only a small part of the deficit in Europe's production.

Production of sugar in Asia for the crop year 1945-46 amounted to only 7.4 million tons, about one-third below the prewar average. Most of the reduction has occurred in the Philippines, Java, and Formosa. These islands were all important exporters of sugar in prewar years. The loss of production in the Philippines is especially significant, because the United States formerly imported nearly 1 million tons of sugar per year from that country.

Cuban production in 1945-46 amounted to 4.4 million tons, an increase of 500,000 tons over the previous year and 1.3 million tons above the 1935-39 average. In spite of the increase in the size of the Cuban crop, the United States will obtain less sugar from Cuba this year than last. The great need for sugar to help prevent starvation, together with the very small crop of sugar beets harvested in Europe in the fall of 1945, make it necessary to ship a much larger quantity of Cuban sugar there this year than last.

The prospective supply of sugar for the United States for 1947 is somewhat greater than the quantity available this year, although still

considerably below normal. The acreage planted to sugar beets in the United States is about 20 percent larger this year than last. With average yields this acreage will provide about 1.7 million tons of sugar (raw value). Some of this sugar will be available during the last quarter of 1946, but most of it will be consumed in 1947.

Production in both Cuba and Puerto Rico is likely to be larger in 1947 than in 1946. The acreage in Cuba for harvest next year is expected to be somewhat greater than in 1946. Also, the cane crop in 1946 apparently had not fully recovered from the severe drought of 1944-45. The 1946 crop in Puerto Rico was adversely affected by a short growing season caused by a delayed harvest in 1945. Production should increase somewhat next year, with a more normal growing season.

The 1946 crop of sugar beets in Europe should be considerably larger than the 1945 crop. This will provide a larger quantity of locally produced sugar for Europe's consumption in 1947 and may decrease somewhat the demand for Cuban sugar for shipment to Europe. Active fighting in Europe in the spring of 1945 interfered seriously with the planting of sugar beets in several important sugar producing areas. As a result the 1945 crop of sugar beets in Europe was the smallest since the outbreak of World War II.

United States Sugar Supply, 1935-46

Source of supply	Amount of sugar (raw basis)			
	1935-39 average	1944	1945	1946 estimate
	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Domestic:				
Beet.....	1,469	1,156	1,043	1,310
Continental cane.....	424	538	452	450
Hawaii.....	946	824	714	830
Puerto Rico and Virgin Islands.....	892	791	883	833
Total domestic.....	3,731	3,309	3,092	3,423
Imports:				
Cuba.....	2,008	4,024	3,153	2,600
Philippines.....	956	0	0	0
Other.....	101	127	87	47
Gross imports.....	3,065	4,151	3,240	2,647
Exports or re-exports.....	92	313	291	460
Net imports.....	2,973	3,838	2,949	2,187
Total supply.....	6,704	7,147	6,041	5,610

No sugar from the Philippines is likely to be available to the United States in 1947. The recovery of sugarcane production usually is slower than that of sugar beets. Sugarcane is a perennial plant and a number of crops are normally harvested from a single planting before

a field is replanted. Ordinarily only a fraction of the area is planted each year. Consequently the reestablishment of cane fields is a slower process than for beets.

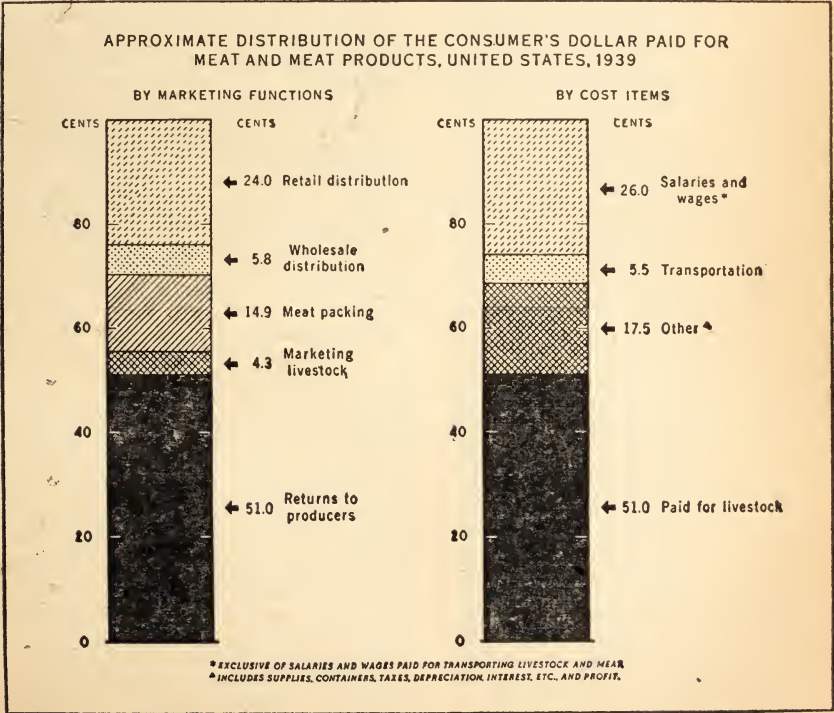
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Marketing Margins of Livestock and Meat

LIVESTOCK producers receive a little more than half of the retail price of meat while charges for marketing and processing livestock and meat account for a little less than half. The cost of retail distribution of meat and other livestock products was equal to 24 percent of the retail price, and the cost of wholesale distribution was 6 percent. Slaughtering and processing costs made up 15 percent of the retail price. The cost of marketing and transporting livestock from farm to slaughterer amounted to 4 percent of the retail prices. These figures are

for 1939 but are considered indicative of normal peacetime costs.

The share of the consumer's meat dollar absorbed by marketing and processing costs is higher when prices are low than when prices are high. As a result, the livestock producer gets a larger share of the consumer's meat dollar when the price is high. During the period 1925-28, when the average retail price of meat was 25 cents pound, the marketing and processing margin made up 45 percent of the retail price of the product. In this period, the livestock producer received 55 per-



Expanded Farm Research

AGRICULTURAL research will be greatly expanded in the near future, as provided in the Flannagan-Hope Act, signed by the President in mid-August. While the act authorizes greatly expanded research in the fields of farm production, human nutrition, land use, forest and water resources, and greater utilization of farm products, it emphasizes research on improving the marketing, handling, storage, processing transportation and distribution of farm commodities.

Although no funds have yet been appropriated, the act authorizes \$9,500,000 for the 1947 fiscal year and progressively larger amounts in each of the five following years.

cent of the consumer's dollar spent for meat. During 1931-34, when the average retail price of meat was 16 cents per pound, the aggregate marketing and processing margin was 60 percent of the retail price of the meat, and the farmer received 40 percent.

The margin for marketing livestock was about the same for cattle (beef) and calves (veal), was slightly smaller for hogs (pork), but was about twice as great for sheep and lambs (mutton and lamb).

The processing margin for beef and veal was smaller than for pork. Pork cuts such as ham, shoulders, and bellies are largely cured and smoked, involving considerable processing expense. Much of the bacon is sliced and packaged at the plant. Beef is usually sold fresh, either as quarters or carcasses, and only a small amount is processed. Most veal is sold as carcasses with the skin on, which keeps down the cost of dressing. Veal and mutton and lamb are largely sold fresh in the form of carcasses or wholesale cuts.

Wholesaling expenses in 1939 were fairly uniform for meat of the different species, but were highest for pork. Pork is usually sold in wholesale cuts.

The cost per pound of retailing beef, mutton, and lamb was about twice that for pork, and the cost of retailing veal was still higher. Beef, veal, mutton, and lamb require considerable labor in cutting and preparing. Cured pork is sold to consumers in wholesale cuts, to some extent. Sliced bacon and carton lard, packaged at the slaughtering plants, require relatively small amounts of labor in handling at the retail stores. More and better refrigeration also is needed for the fresh products than for the cured.

Salaries and wages constituted 53 percent of the costs for marketing and processing livestock and meat in 1939. Transportation made up 11 percent of these costs, and all other operating expenses and profits combined amounted to 36 percent. The proportion of the operating expenses paid out for salaries and wages differed for the various functions. Payments for labor represented 49 percent of the costs in marketing livestock, 51 percent in the costs of meat packing, 52 percent in costs of wholesaling, and 58 percent in costs of retailing.

The average cost of marketing livestock was about 57 cents per hundredweight alive, or \$1.02 per hundredweight of the meat sold at retail. At the retail level, 41 cents per hundredweight was the expense for selling and handling livestock at markets and 61 cents per hundredweight went for transportation costs. These average expenses included sales to dealers, through cooperative associations, at concentration yards, through auctions, at public markets, and direct to packers and others. For the livestock that moved through more than one market, the expenses involved at all markets were included.

The cost of marketing livestock varied by species. The average marketing cost per hundredweight alive in 1939, including transportation, was 53 cents for cattle, 69 cents for calves, 52 cents for hogs, and 70 cents for sheep and lambs. For each 100 pounds of meat sold at retail the cost of marketing livestock averaged \$1.13 for cattle and calves, 72 cents for hogs, and \$1.50 for sheep and lambs.

Of the combined value of all meat marketed from wholesale meat-packing establishments and non-

slaughtering processing establishments in 1939, about 60 percent was fresh meat. About 40 percent was processed meat and meat products.

Normally about 90 percent of the beef marketed annually is sold fresh and 10 percent as processed meat. Of the pork, about 40 percent is normally sold fresh, 50 percent is cured, and 10 percent is made into sausage. Virtually all the veal, lamb, and mutton is sold fresh.

The gross margin for meat packing may vary considerably among concerns, owing primarily to the extent they process meat. Processed meat is costly to prepare, chiefly because of the labor involved and the expenditures for supplies and containers. Cooking, including boning and other preparation, may cost \$4 to \$5 per hundredweight, sausage manufacture from \$5 to \$7, and canning from \$5 to \$10. This compares with the cost of \$1 to \$1.50 for killing and dressing beef.

The average charge for distributing meat wholesale in 1939, including outward transportation, was estimated at 8 percent of the wholesale value of the product. This estimate takes into account the sale of all of the meat by packing plants, and the sale of that part which is handled a second time by independent wholesalers and jobbers.

Packers' cost of wholesale distribution varied with the channels of trade used, the size of sales, and the amount of service furnished. The cost of selling by carlots and truckloads through brokers may not be more than about 13 cents per hun-

dredweight. Ordinary car-route operations may cost from 75 cents to \$1 per hundredweight, branch house operations from \$1 to \$1.25, and small order sales by peddler trucks from \$2 to \$2.25.

As the size of the meat order diminishes, the selling cost per hundredweight generally increases. The delivery costs, and selling and clerical costs, are nearly the same, regardless of the quantity delivered.

Costs of distributing meat products by car routes are lower than through branch houses largely because of the difference in the size of the unit sale, and of the amount of service furnished by the wholesalers. The peddler truck method of distribution involves relatively high cost per hundredweight. Here the truck is operated by a driver-salesman who sells specialty products to small dealers, delicatessen stores, restaurants, and so on, from a stock carried on the truck.

The average retail margin for meat in 1939 was estimated at 24 percent of net sales. The retail margin based on the selling price of meat should not be confused with the percentage mark-up on costs by retailer dealers. A mark-up of 25 percent of the cost price is equal to a margin of 20 percent of the selling price. This average margin of 24 percent of the selling price was equal to an average mark-up of about 32 percent on the cost price of the meat.

KNUTE BJORKA

Bureau of Agricultural Economics

Economic Summary

LIVESTOCK

LIVESTOCK producers encouraged by record and near-record prices during recent weeks, have marketed one of the largest number of cattle, hogs, and lambs in history. Continued heavy marketing at good prices are expected in the weeks ahead as consumer incomes will remain high for many months to come which means a strong demand for meat.

The recent increases in livestock ceilings will bring producers larger returns than a year ago though below those in July and August when prices were at record and near-

record levels. The new ceiling for all hogs, at Chicago, is \$16.25 compared to the former maximum of \$14.10 and \$14.85. The over-all ceiling for cattle and calves was upped from \$18.00 to \$20.25, with corresponding increases in the maximum stabilization range-prices for choice cattle. Lamb ceilings now are \$19.00, compared to the former \$15.00 and \$16.00.

Slaughter subsidies, resumed at the June rates, will continue till January 10, 1947 when they will be cut in half. The entire meat subsidy program is to end before April 1, 1947. The former program of making direct subsidy payments to

farmers has not been revived. Because there is no lamb subsidy now, the lamb ceiling increase is larger than the ceiling increases for hogs or cattle. The slaughter program to channel more meat into federally inspected slaughter has been resumed as has the compulsory grading of meat by packers.

Favorable prices may be fortunate to some cattle producers, faced with drying grassland and high livestock inventories, especially in the western range area. Near-record marketing of grass-fat cattle probably will continue during the balance of 1946, and a large proportion will be slaughtered, close to the large number slaughtered a year earlier.

In contrast, feeders will market fewer grain-fed cattle during the remainder of 1946 than in the corresponding period of 1945 largely because only about half as many cattle were on feed in the Corn Belt August 1 as a year earlier. For the 1947 market, though, feeders will have a larger number of cattle on feed this coming winter and spring than last season because of the sharp increase in prices of higher grade slaughter cattle compared with only moderate increases in feeder cattle prices, together with the prospects of larger feed supplies.

Because the 1946 spring pig crop was about 2 percent larger than a year earlier, farmers will market slightly more hogs this fall and winter than they did last season, and they may market their hogs late, at heavy weights. In contrast, they will market substantially fewer hogs next spring and summer from this fall's pig crop because of the 6 million head reduction in the crop from that of the 1945 crop. Prospects of greatly increased corn supplies at more favorable hog prices may induce farmers to feed their hogs to heavy weights this winter and next spring. These favorable feed prospects also point to a larger spring pig crop in 1947 than the one last spring.

Ranchers and farmers will market fewer lambs during the remainder of 1946 and early 1947 than they did last season. The 1946 lamb crop, of 26 million head, is about 2 million less than in 1945 and the smallest since 1927. Partly offsetting the 10 percent fewer breeding ewes on hand last spring was the high percentage of lambs saved, with the 90 lambs

saved per 100 ewes equal to the record savings of the 1941 crop. The 1947 lamb crop probably will be even smaller than the 1946 crop because most ranchers and farmers are continuing to reduce their breeding stock numbers.

These changes add up to smaller meat production in 1947. Even before the recent jump in marketings, the prospect for 1947 meat output was less than in 1946. Right now it looks as if cattle, calf, and lamb producers will have even less to market in 1947 than had been expected a few weeks ago. The only ray of light is the opportunity that hog men have to come up with a top-notch spring pig crop. Meat from such a crop is a year away, but chances for such an increase are good in view of the large corn crop coming in and the prospect for relatively small livestock numbers to feed out of that crop.

DAIRY PRODUCTS

DAIRY farmers can expect continued strong demand for dairy products through 1946 and early 1947. And, with a seasonally smaller milk and butterfat production in prospect for the next few months, dairymen can expect larger milk checks in this period than a year ago. In late August the supplies of milk and many manufactured dairy products were hardly more than enough to meet the demand at prevailing prices, in most instances well above June price levels. Thus farmers can expect prices to show seasonal increases at least above the late August levels as production declines this fall.

The price relationship of dairy products to feed became very unfavorable in July and continued so during August for most farmers. This was caused by sharp increases in feed prices in July without a corresponding increase in dairy product prices. However, farmers can expect some improvement in the price relationship in coming weeks, though not as good as year ago, because of the resumption of ceilings on mixed feeds and certain by-product feeds as well as the expected decline in grain prices as marketings increase.

Thus farmers can expect the unfavorable dairy products-feed price relationship, along with the higher values of dairy animals for meat, to

accelerate the decline in milk cow numbers in the weeks ahead, perhaps bringing as sharp a decline in the second half of 1946 as in the first half. In June milk cow numbers were 4 percent below a year earlier.

POULTRY AND EGGS

POULTRY men during the next few months can look forward to some increase in the prices they receive for eggs. However, rises will not be more than seasonal as long as most major food items continue under ceilings. Large storage stocks of chicken and turkey meat will exert a steadying effect upon chicken and turkey prices, despite the year's curtailed production.

Total egg supplies this fall will be almost as large as they were last summer because storage stocks of shell and frozen eggs will nearly offset the reduced output during the balance of 1946.

Farmers will market substantially fewer chickens in the next few months than a year ago, but record

cold storage holdings and reduced Army procurement means that civilian supplies will be only slightly smaller than a year ago. July and August prices received by farmers were at record levels and are expected to continue near those levels for the remainder of the year. However, there is a possibility that prices may increase early in 1947.

The hen and pullet goal of 435 million birds on January 1, 1947 is about the number farmers expected and is a 7 percent reduction from the number on hand a year earlier.

August cold-storage holdings of turkey were about four times those of 1935-39 average. This large carry-over plus the reduced Army procurement will about offset the 15 percent decrease from last year expected in production this year. Supplies this fall will about equal the record quantities available a year ago.

The number of tractors on farms have increased about nine-fold in the past quarter century.

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		Aug. 15, 1945	July 15, 1946	Aug. 15, 1946	Parity price Aug. 15, 1946
	August 1909-July 1914	January 1935-December 1939				
Wheat (bushel).....dollars	0.884	0.837	1.45	1.87	1.78	1.80
Rice (bushel).....do	.813	.742	¹ 1.65	1.86	1.77	1.66
Corn (bushel).....do	.642	.691	1.13	1.96	1.80	1.31
Oats (bushel).....do	.399	.340	.589	.847	.734	.814
Hay (ton).....do	11.87	8.87	14.60	15.00	15.10	24.20
Cotton (pound).....cents	12.4	10.34	21.33	30.83	33.55	25.30
Soybeans (bushel).....dollars	² .96	.954	2.12	2.31	2.35	³ 1.96
Peanuts (pound).....cents	4.8	3.55	¹ 8.20	8.97	8.88	9.79
Potatoes (bushel).....dollars	.697	.717	¹ 1.66	1.48	1.43	1.50
Apples (bushel).....do	.96	.90	2.77	3.42	2.27	1.96
Oranges on tree, per box.....do	⁴ 1.81	1.11	1.97	3.62	2.91	2.43
Hogs (hundredweight).....do	7.27	8.33	14.00	16.80	20.90	14.80
Beef cattle (hundredweight).....do	5.42	6.56	¹ 12.40	16.60	17.00	11.10
Veal calves (hundredweight).....do	6.75	7.80	¹ 13.30	16.60	16.20	13.80
Lambs (hundredweight).....do	5.88	7.79	¹ 12.90	15.90	16.30	12.00
Butterfat (pound) ⁵cents	26.3	29.1	50.3	70.6	70.8	⁶ 51.1
Milk, wholesale (100-pound) ⁵dollars	1.60	1.81	3.14	¹ 3.98	⁷ 4.11	⁶ 3.19
Chickens (pound).....cents	11.4	14.9	28.6	29.4	27.6	23.6
Eggs (dozen).....do	21.5	21.7	40.8	37.1	39.1	⁶ 44.3
Wool (pound).....do	18.3	23.8	¹ 41.6	42.3	41.8	37.3

¹ Revised.

² Comparable base price, August 1909-July 1914.

³ Comparable price computed under section 3 (b) Price Control Act.

⁴ Comparable base price, August 1919-July 1929.

⁵ Does not include dairy production payments made directly to farmers by county PMA offices October 1943 to June 1946.

⁶ Adjusted for seasonality.

⁷ Preliminary.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1935-39 = 100) ¹	Income of industrial workers (1935-39 = 100) ²	1910-14=100				Index of prices received by farmers (August 1909-July 1914=100)			
			Wholesale prices of all commodities ³	Prices paid by farmers		Farm wage rates ⁴	Livestock and products			
				Com-modities	Com-modities interest and taxes		Dairy products	Poul-try and eggs	Meat ani-mals	All live-stock
1910-14 average.....	58	50	100	100	100	100	100	101	101	101
1915-19 average.....	72	90	158	151	150	148	148	154	163	158
1920-24 average.....	75	122	160	161	173	178	159	163	123	142
1925-29 average.....	98	129	143	155	168	179	160	155	148	154
1930-34 average.....	74	78	107	122	135	115	105	94	85	93
1935-39 average.....	100	100	118	125	128	118	119	199	119	117
1940-44 average.....	192	237	139	150	148	212	162	146	171	164
1945 average.....	203	286	154	180	174	350	197	196	210	203
1945										
August.....	186	269	154	180	173	-----	195	207	212	206
September.....	167	230	154	181	174	-----	197	210	207	203
October.....	162	225	155	182	175	345	199	204	202	202
November.....	168	229	156	182	175	-----	202	218	203	206
December.....	163	233	156	183	176	-----	204	222	204	207
1946										
January.....	160	235	156	184	177	361	203	197	206	204
February.....	153	218	157	185	178	-----	202	168	214	202
March.....	168	⁵ 238	159	187	180	-----	201	167	219	203
April.....	165	⁵ 244	161	188	181	362	199	166	225	205
May.....	159	⁵ 245	162	192	185	-----	198	173	226	207
June.....	⁵ 171	264	⁵ 165	196	188	-----	207	178	230	213
July.....	174	-----	⁵ 182	209	199	378	245	196	268	247
August.....	-----	-----	214	204	204	-----	257	199	294	263

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								Parity ratio ⁵	
	Crops							All crops and live-stock		
	Food grains	Feed grains and hay	To-bacco	Cotton	Oil bearing crops	Fruit	Truck crops			All crops
1910-14 average.....	100	101	102	96	98	99	-----	99	100	100
1915-19 average.....	193	164	187	168	187	125	-----	168	162	106
1920-24 average.....	147	126	192	189	149	148	143	160	151	86
1925-29 average.....	140	119	172	145	129	141	140	143	149	89
1930-34 average.....	70	76	119	74	72	94	106	86	90	66
1935-39 average.....	94	95	175	83	106	83	102	97	107	84
1940-44 average.....	123	119	245	131	159	133	172	143	154	103
1945 average.....	172	161	366	171	215	220	224	201	202	116
1945										
August.....	167	158	367	172	215	214	240	202	204	118
September.....	167	157	365	175	213	217	159	191	197	113
October.....	175	160	373	180	210	219	181	196	199	114
November.....	178	161	375	182	213	217	235	203	205	117
December.....	178	162	378	184	213	230	223	206	207	118
1946										
January.....	179	164	375	180	213	225	249	207	206	116
February.....	180	166	385	186	212	233	275	213	207	116
March.....	185	171	367	183	208	229	283	215	209	116
April.....	185	171	368	190	210	244	282	220	212	117
May.....	198	188	369	194	214	248	177	215	211	114
June.....	200	195	370	210	219	261	185	223	218	116
July.....	215	244	369	249	242	249	163	240	244	123
August.....	203	225	388	271	242	271	162	233	249	122

¹ Federal Reserve Board; represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

² Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised May 1946.

³ Bureau of Labor Statistics.

⁴ Monthly data adjusted for seasonal variation.

⁵ Revised.

⁶ Ratio of prices received to prices paid for commodities, interest, and taxes.

⁷ 1924 only.

FOOD GRAINS

FARMERS are counting up another record crop of wheat. At the same time they are planning to put in large acreages for next year. This year's crop totals some 1,160 million bushels, 37 million above last year's record.

Because the wheat carry-over on July 1 was one of the smallest in 20 years (only about 101 million bushels) supplies in the current crop year will be smaller than in the past 5 years though above prewar.

The carry-over next July is now expected to be around 275 million bushels, even with the return of the normal milling extraction rate and the recent increase in the export goal to 275 million bushels for the current year. This will leave about 710 million bushels for domestic use. Such a carry-over, more than double the one last July, is desirable in that it would help provide a reserve against a possible reduced yield in 1947. There is no guarantee that the above-average yields of the last six years will continue next year.

World wheat production, excluding China and the Soviet Union, promises to be more than 10 percent above the 1945 output and perhaps not far from prewar levels. The crop outlook in Canada is favorable, Argentina and Australia prospects are fair, and the European prospects are much better than the very poor crop last year, though not up to prewar levels. Total grain production in Soviet Russia, while probably not as much as prewar, is believed to be favorable. In China and elsewhere in the Far East the food emphasis is on rice, so acreage planted to wheat this season is still well below normal. Even though production prospects are better than last year, world wheat imports will continue large in the months ahead and with the large reserves of a year ago nearly exhausted these imports will have to come largely from the 1946 crops.

With many farmers well under way with seeding operations for their winter wheat, prospects point to the planting of another very large acreage of wheat for harvest in 1947. The goal for the 1947 crop calls for 71.7 million acres to be seeded. Except for the 71.9 million acres seeded for the 1946 crop, this would be largest planting since 1938.

The smallest rye carry-over on record together with the smallest crop since 1934 combine to make domestic rye supplies for the months ahead only a little over 23 million bushels, the smallest since 1881. The goal for the 1947 rye crop calls for the planting of nearly 2½ million acres, about a third more than acreage seeded for the 1946 crop but a third less than the 1937-41 average.

FRUIT

BECAUSE the strong market for the large 1946 crop of deciduous fruits is likely to continue this fall and winter, growers can expect prices they receive for most fruits to average close to those for the 1945 crop.

Fruit growers this season are producing record and near-record crops of all the major deciduous fruits, except apples which crop is slightly below average but two-thirds larger than the 1945 crop. Aggregate production of these fruits is now estimated at some 15 percent more than in 1945 and about 10 percent larger than average.

Harvest labor is the chief problem of fruit growers in some areas even though the over-all farm labor picture has improved considerably over last year. Most growers should find that supplies of baskets, crates, and other harvesting equipment are more adequate than last year.

This year's larger production will provide more fruit for processing as well as for fresh consumption. Processors are taking unusually large quantities of fresh fruit for canning, drying, and freezing. The strong processor demand will be an important factor in maintaining prices received by growers close to last year's high levels in spite of the larger crops. The commercial pack of canned deciduous fruits is expected to be about a fifth larger than in 1945 and the dried and frozen packs about the same.

Some increase in exports of apples, pears, dried prunes, and raisins to Great Britain, the Scandinavian countries and a few others now seems likely for the coming season.

Over four-fifths of the 1946 acreage of oats in the major producing States was sown to the newer and improved varieties compared with about three-fourths in 1945.

VEGETABLES

American farmers will produce some 445 million bushels of potatoes this year, second only to the 1943 record of 465 million bushels. This year's record yield, now estimated at 163.3 bushels per acre, is 12.7 bushels more than last year's record. An important factor contributing to the large production this year is the rather widespread use of DDT, for the first time, by many growers in combating insects.

The large crop now in prospect means that grower's prices will probably average close to support levels. Farmers would have received very low prices this spring for the record 80½ million bushel early crop if the Government had not supported prices through its extensive purchase and diversion program.

Growers of truck crops—both for fresh market and for process—will continue this fall to produce large tonnages, making the total output for the year a new record. Because of the general abundance of fresh vegetables growers will continue to receive prices below the levels of last year. Although record-large packs of canned and frozen vegetables are anticipated for the year, farmers can expect to receive favorable prices for their process truck crops.

TOBACCO

Tobacco growers generally can look forward to a strong demand—both domestic and foreign—for the record 2.2 billion pound crop they are producing this year.

Producers of burley, flue-cured, Maryland, and cigar types, can expect a strong domestic demand from cigar and cigarette manufacturers because of the probable continuation of high consumer incomes. Producers of dark air-cured and fire-cured tobaccos, are enjoying a good export market, more than offsetting the reduced domestic demand from manufacturers of smoking and chewing tobacco, and snuff.

Increased cigarette consumption in recent months has been accompanied by a reduced consumption of smoking tobacco. And, as employment in plants where smoking is prohibited has declined, consump-

tion of chewing tobacco and snuff has fallen off.

Most tobacco growers can expect larger cash receipts for their 1946 crop than they have received in recent years because of the increased production at relatively high prices.

FATS AND OILS

The late-summer general level of domestic prices for fats and oils was 50 percent higher than in June and only 2 percent below the all-time peak reached in November 1919. And though the prices farmers received for soybeans, flaxseed and cottonseed advanced sharply during July and August, the recent resumption of ceilings on fats and oils, except butter, to the previous levels or slightly higher will lower the prices farmers receive to some extent in the months ahead.

Total production of domestic fats and oils in the next 12 months probably will be smaller than a year earlier, largely because of the reduced fall pig crop, the 40 percent smaller flaxseed crop, and the slight decrease in soybean production. However, there may be some increase over last year in cottonseed output.

Imports of fats and oils will increase during the next 12 months. Copra imports from the Philippines are rising and now are at about half the prewar rate. In contrast, exports of fats and oils will decline because present stocks in this country are the smallest in 20 years. Total supplies available for consumption in this country for the next several months will continue to be short of demand.

FARM LABOR

Farm operators can look forward to larger supplies of labor than a year ago during the remainder of 1946, but they will have to continue to pay relatively high wages for labor, higher in some areas than at the start of the harvest season in July.

Nearly a half million more people are now working on farms than a year ago, a gain of 4 percent. But the number of hired workers on farms is still well below prewar levels even though the number of operators and unpaid members of their families have about reached the prewar number. The million or more

returned veterans have played a large part in improving the farm labor picture. In most sections of the country veterans numbering about three-fourths of farm workers who were in the armed services are now working on farms. Half of these veterans have taken the place of women, children, older men, war prisoners and imported foreign workers, and the other half have brought a net increase in the number of persons working on farms.

Although the farm labor situation has improved considerably over a year ago, there still are some farm enterprises where labor for farm work will continue to be a problem. Dairymen will continue to find it difficult to get experienced labor for many months to come. Cotton farmers will have none too many workers for cotton picking, but judicious use of the available supply should minimize serious harvesting difficulties. Apple growers and other fruit operators can expect prob-

lems in obtaining sufficient harvest labor this fall.

Sugar-beet farmers can expect tight labor supplies for harvest operations. And labor supplies for harvesting potatoes and late truck crops will be none too plentiful. In contrast, corn farmers need not anticipate serious labor problems in harvesting the corn this fall. This will be particularly true in the Corn Belt where so much of the corn is machine harvested.

Until the end of the harvest season this fall wage rates can be expected to remain at the high July levels or even increase above them in some areas. Normally fall wage rates are as high as in midsummer, and this fall farmers who are receiving high prices for their products can expect this to lead to demands for higher wages. In general farmers cannot look for much reduction in farm wage rates as long as industrial employment and wages remain high.

Prices Received and Paid Still Climbing

FARMERS in mid-August received and paid higher prices for most of the products they sold and bought than in mid-July. Prices received averaged 22 percent above parity, based on comparisons of prices paid and received. In mid-July, prices received average 23 percent above parity.

Prices received by farmers increased an average of 2 percent from July 15 to August 15. Prices received in mid-August were nearly a fourth higher than a year earlier and almost $2\frac{1}{2}$ times the 1909-14 average. Higher prices received for hogs, eggs, dairy products and cotton, more than offsetting lower prices for grains, chickens and fruits, were the principal products that upped the average of prices received. Price changes of other commodities during the month were generally mixed. Some prices increased, like those for soybeans and flaxseed, while prices of others, like peanuts and cottonseed, decreased slightly.

The prices farmers received for livestock and livestock products increased 7 percent from July 15 to August 15 reaching a new high, $2\frac{3}{4}$ times the 1910-14 average. This increase brought the tremendous volume of livestock slaughter during the month, a third more than a year earlier for federally inspected

slaughter. In mid-August farmers received new record prices for hogs, beef cattle and lambs, but prices for veal calves and sheep were slightly lower than from mid-June to mid-July.

The average of crop prices on August 15 was slightly lower than on July 15, though still well above the level of a year ago. The record or near-record production of so many grains, tobacco, fruits and vegetables brought about the downturn in prices received.

Continuing increases in rural living costs brought a $2\frac{1}{2}$ percent rise from July 15 levels in the prices paid by farmers (including interest and taxes). On August 15, prices paid by farmers were more than twice the 1910-14 average, a new high. Farmers paid higher prices than the month before for clothing, food and household supplies, the chief items which raised rural living costs. Despite sharp declines in wholesale prices of grains and grain products, the prices farmers paid for commodities of an agricultural origin increased during August. Feed price increases were almost entirely responsible for the continued rise in farm production costs, as the prices of many other items dropped considerably.

